

UNITED STATES BANKRUPTCY COURT
WESTERN DISTRICT OF NEW YORK

In re:

The Diocese of Buffalo, N.Y.,

Debtor.

Case No. 20-10322

Chapter 11

**DECLARATION OF MICHAEL SULLIVAN IN SUPPORT OF DIOCESE’S MOTION
FOR ENTRY OF ORDERS (I)(A) APPROVING BIDDING PROCEDURES FOR THE
SALE OF CERTAIN REAL PROPERTY IN OLEAN, NEW YORK; (B) AUTHORIZING
AND APPROVING THE FORM OF STALKING HORSE BID SUBMITTED BY THE
ARCHBISHOP WALSH FOUNDATION; (C) SCHEDULING AN AUCTION; AND (D)
APPROVING THE FORM AND MANNER OF SERVICE OF NOTICE OF AUCTION
AND SALE HEARING; (II) APPROVING THE SALE FREE AND CLEAR OF LIENS,
CLAIMS, ENCUMBRANCES AND OTHER INTERESTS; AND (III) GRANTING
RELATED RELIEF**

Pursuant to 28 U.S.C. § 1746, Michael Sullivan declares under penalty of perjury that the following is true and correct to the best of my information, knowledge and belief:

1. I am the current Director of Buildings of the Diocese of Buffalo, N.Y. (the “Diocese”).

2. I submit this Declaration in support of the *Diocese’s Motion for Entry of Orders (I)(A) Approving Bidding Procedures for the Sale of Certain Real Property in Olean, New York; (B) Authorizing and Approving the Form of Stalking Horse Bid Submitted by the Archbishop Walsh High School; (C) Scheduling an Auction; and (D) Approving the Form and Manner of Service of Notice of Auction and Sale Hearing; (II) Approving the Sale Free and Clear of Liens, Claims, Encumbrances and Other Related Interests; and (III) Granting Related Relief* (the “Sale Motion”).

3. The Diocese is the owner of several parcels of real property which together comprise the Archbishop Walsh High School campus (the “Walsh Campus”).¹ The improvements upon the Walsh Campus include an existing school building, garages, parking area, driveways, athletic fields and certain green space (the “Improvements”).

4. Many of the Improvements, including the school building, were constructed more than sixty years ago by the Diocese for use as a Catholic high school serving the community of Olean, New York.

5. The Walsh Campus is leased by the Diocese to the Archbishop Walsh High School (“AWHS”) pursuant to an unrecorded Lease Agreement dated April 10, 1992 (the “Lease”). The term of the Lease is 50 years.

6. As described in the Declaration of Frank McAndrew submitted in support of the Sale Motion, the improvements upon the Walsh Campus suffer from significant deferred maintenance, including the need for a complete roof replacement at a cost of nearly \$850,000 and a new heating system at \$520,000. The Diocese has been informed that AWHS and AWF lack the necessary resources to address the deferred maintenance problems on the Walsh Campus. Instead, such expenditures have been deferred by AWHS, leaving the Improvements in disrepair.

7. This has required the Diocese, as owner of the Walsh Campus, to address certain deficiencies on the Walsh Campus from time to time. For example, a rectory building on the Walsh Campus was subject to a condemnation order issued on or about May 22, 2020 by the City of Olean Department of Code Enforcement. The Diocese was required to demolish this condemned building at a total cost of \$69,068.00. Unless the Diocese is able to sell the Walsh

¹ A complete list of the parcels and addresses is set forth in section 2 of the Purchase Contract, which is attached as Exhibit 2 to the Sale Motion.

Campus, it faces the risk of incurring further significant losses and expenditures associated with ownership of the Walsh Campus.

8. In the middle part of 2021, the Diocese was approached by a real estate developer who sought to acquire the Walsh Campus (the “Developer Transaction”). Pursuant to the terms of the Developer Transaction, the real estate developer would use a portion of the Walsh Campus grounds to develop a fast-food restaurant. Additionally, the real estate developer intended to take over as landlord of the School. However, the Developer Transaction had several contingencies, the most significant of which was the real estate developer’s ability to obtain all necessary zoning variances and approvals. The Developer Transaction also was subject to a broker fee.

9. After the Diocese notified AWHS about the Developer Transaction, counsel for AWHS contacted counsel for the Diocese to re-initiate discussions concerning a potential sale of the Walsh Campus to AWHS and AWF. Following extensive negotiations, AWHS and AWF presented a proposed Purchase Contract in the form attached to the Sale Motion (the “Purchase Contract”) which, among other things, (a) matched the purchase price of \$300,000 that was presented in the Developer Transaction, (b) did not contain any contingencies for zoning approvals, and (c) did not involve a broker fee. Moreover, because the purchaser involved the existing tenant of the AWHS, the transaction would not require the assignment and/or rejection of the lease to give effect to the sale. Finally, the Purchase Contract is not subject to any financing contingency.

10. The Diocese also notes that the proposed purchase price set forth in the Purchase Contract is far in excess of the appraised value of the Walsh Campus. The most current appraisal on the property is a February 25, 2021 appraisal performed by K LW Appraisal Group, Inc. for

AWHS (attached to the McAndrew Declaration) which places a negative value on the hypothetical fee simple interest. In addition to such appraisal, the Diocese had previously obtained appraisals that indicate values lower than proposed in the Purchase Contract, including (a) an appraisal performed for the Diocese by K LW Appraisal Group, Inc. in July, 2020 in which K LW opined that the fee simple interest had no positive value, and (b) the appraisal performed for the Diocese in August, 2019 by Emminger, Newton, Pigeon & Magyar, Inc. that was submitted to the Court in connection with the Prior Sale Motion which places a value of \$150,000 on the Walsh Campus.

11. For the foregoing reasons, the Diocese selected the Purchase Contract as the stalking horse bid in connection with the Sale Motion. The Purchase Contract represents the best opportunity for the Diocese to monetize the Walsh Campus and to maximize the value realized upon the sale of the same. The Purchase Contract matches the proposed purchase price of the proposed Developer Transaction, and unlike the proposed Developer Transaction does not incur a broker commission, and the Purchase offer of AWHS is a cash offer with from a purchaser who is already in possession of the premises and is ready, willing, and able to consummate the transaction at its earliest opportunity.

Dated: January 31, 2022



Michael Sullivan

*Director of Buildings of the Diocese of
Buffalo, N.Y*